

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

**INTERNAL REVENUE CODE OF 1986**

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**Subtitle A—Income Taxes**

\* \* \* \* \*

**CHAPTER 1—NORMAL TAXES AND SURTAXES**

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**Subchapter B—Computation of taxable income**

\* \* \* \* \*

**PART I—DEFINITION OF GROSS INCOME, ADJUSTED GROSS INCOME, TAXABLE INCOME, ETC.**

\* \* \* \* \*

**SEC. 63. TAXABLE INCOME DEFINED.**

(a) \* \* \*

(b) **INDIVIDUALS WHO DO NOT ITEMIZE THEIR DEDUCTIONS.**—In the case of an individual who does not elect to itemize his deductions for the taxable year, for purposes of this subtitle, the term “taxable income” means adjusted gross income, minus—

- (1) the standard deduction, **[and]**
- (2) the deduction for personal exemptions provided in section 151**[.]**, *and*
- (3) *the direct charitable deduction.*

\* \* \* \* \*

(d) **ITEMIZED DEDUCTIONS.**—For purposes of this subtitle, the term “itemized deductions” means the deductions allowable under this chapter other than—

- (1) the deductions allowable in arriving at adjusted gross income, **[and]**
- (2) the deduction for personal exemptions provided by section 151**[.]**, *and*
- (3) *the direct charitable deduction.*

\* \* \* \* \*

(g) **DIRECT CHARITABLE DEDUCTION.**—*For purposes of this section, the term “direct charitable deduction” means that portion of*

*the amount allowable under section 170(a) which is taken as a direct charitable deduction for the taxable year under section 170(m).*

[(g)] (h) MARITAL STATUS.—For purposes of this section, marital status shall be determined under section 7703.

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### PART III—ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

\* \* \* \* \*

#### SEC. 126. CERTAIN COST-SHARING PAYMENTS.

(a) GENERAL RULE.—Gross income does not include the excludable portion of payments received under—

(1) \* \* \*

\* \* \* \* \*

(10) *Landowner initiatives programs to conserve threatened, endangered, or imperiled species, or protect or restore habitat carried out under—*

(A) *the Fish and Wildlife Coordination Act (16 U.S.C. 661 et seq.),*

(B) *the Fish and Wildlife Act of 1956 (16 U.S.C. 742f),*

*or*

(C) *section 6 of the Endangered Species Act (16 U.S.C. 11531 et seq.).*

[(10)] (11) Any program of a State, possession of the United States, a political subdivision of any of the foregoing, or the District of Columbia under which payments are made to individuals primarily for the purpose of conserving soil, protecting or restoring the environment, improving forests, or providing a habitat for wildlife.

(b) EXCLUDABLE PORTION.—For purposes of this section—

(1) IN GENERAL.—The term “excludable portion” means that portion (or all) of a payment made to any person under any program described in subsection (a) which—

(A) is determined by the Secretary of Agriculture (*the Secretary of the Interior, in the case of the landowner incentives programs described in subsection (a)(10) and the programs described in subsection (a)(11) that are implemented by the Department of the Interior*) to be made primarily for the purpose of conserving soil and water resources, protecting or restoring the environment, improving forests, or providing a habitat for wildlife, and

\* \* \* \* \*

### PART VI—ITEMIZED DEDUCTIONS FOR INDIVIDUALS AND CORPORATIONS

\* \* \* \* \*

#### SEC. 170. CHARITABLE, ETC., CONTRIBUTIONS AND GIFTS.

(a) \* \* \*

(b) PERCENTAGE LIMITATIONS.—

(1) \* \* \*

(2) CORPORATIONS.—In the case of a corporation, the total deductions under subsection (a) for any taxable year shall not exceed **10 percent** *the applicable percentage* of the taxpayer's taxable income computed without regard to—

(A) \* \* \*

\* \* \* \* \*

(3) *APPLICABLE PERCENTAGE DEFINED.*—For purposes of paragraph (2), the applicable percentage shall be determined in accordance with the following table:

<i>For taxable years beginning in calendar year—</i>	<i>The applicable percentage is—</i>
2004 .....	11
2005 .....	12
2006 .....	13
2007 .....	14
2008 through 2011 .....	15
2012 and thereafter .....	20.

(e) CERTAIN CONTRIBUTIONS OF ORDINARY INCOME AND CAPITAL GAIN PROPERTY.—

(1) \* \* \*

\* \* \* \* \*

(3) SPECIAL RULE FOR CERTAIN CONTRIBUTIONS OF INVENTORY AND OTHER PROPERTY.—

(A) \* \* \*

\* \* \* \* \*

(C) *SPECIAL RULE FOR CONTRIBUTIONS OF FOOD INVENTORY.*—

(i) *GENERAL RULE.*—In the case of a charitable contribution of food from any trade or business (or interest therein) of the taxpayer, this paragraph shall be applied—

(I) without regard to whether the contribution is made by a C corporation, and

(II) only to food that is apparently wholesome food.

(ii) *LIMITATION.*—In the case of a taxpayer other than a C corporation, the aggregate amount of such contributions for any taxable year which may be taken into account under this section shall not exceed the applicable percentage (within the meaning of subsection (b)(3)) of the taxpayer's aggregate net income for such taxable year from all trades or businesses from which such contributions were made for such year, computed without regard to this section.

(iii) *DETERMINATION OF FAIR MARKET VALUE.*—In the case of a qualified contribution of apparently wholesome food to which this paragraph applies and which, solely by reason of internal standards of the taxpayer or lack of market, cannot or will not be sold, the fair market value of such food shall be determined by taking into account the price at which the same or substantially the same food items (as to both type and quality) are sold by the taxpayer at the time of the con-

tribution (or, if not so sold at such time, in the recent past).

(iv) *APPARENTLY WHOLESOME FOOD.*—For purposes of this subparagraph, the term “apparently wholesome food” has the meaning given to such term by section 22(b)(2) of the Bill Emerson Good Samaritan Food Donation Act (42 U.S.C. 1791(b)(2)), as in effect on the date of the enactment of this subparagraph.

[(C)] (D) This paragraph shall not apply to so much of the amount of the gain described in paragraph (1)(A) which would be long-term capital gain but for the application of sections 617, 1245, 1250, or 1252.

(4) SPECIAL RULE FOR CONTRIBUTIONS OF SCIENTIFIC PROPERTY USED FOR RESEARCH.—

(A) \* \* \*

(B) QUALIFIED RESEARCH CONTRIBUTIONS.—For purposes of this paragraph, the term “qualified research contribution” means a charitable contribution by a corporation of tangible personal property described in paragraph (1) of section 1221(a), but only if—

(i) \* \* \*

(ii) the property is constructed *or assembled* by the taxpayer,

(iii) the contribution is made not later than 2 years after the date the construction *or assembling* of the property is substantially completed,

\* \* \* \* \*

(6) SPECIAL RULE FOR CONTRIBUTIONS OF COMPUTER TECHNOLOGY AND EQUIPMENT FOR EDUCATIONAL PURPOSES.—

(A) \* \* \*

(B) QUALIFIED COMPUTER CONTRIBUTION.—For purposes of this paragraph, the term “qualified computer contribution” means a charitable contribution by a corporation of any computer technology or equipment, but only if—

(i) \* \* \*

(ii) the contribution is made not later than 3 years after the date the taxpayer acquired the property (or in the case of property constructed *or assembled* by the taxpayer, the date the construction *or assembling* of the property is substantially completed),

\* \* \* \* \*

(D) DONATIONS OF PROPERTY REACQUIRED BY MANUFACTURER.—In the case of property which is reacquired by the person who constructed *or assembled* the property—

(i) subparagraph (B)(ii) shall be applied to a contribution of such property by such person by taking into account the date that the original construction *or assembling* of the property was substantially completed, and

\* \* \* \* \*

[(G) TERMINATION.—This paragraph shall not apply to any contribution made during any taxable year beginning after December 31, 2003.]

\* \* \* \* \*

(m) DEDUCTION FOR INDIVIDUALS NOT ITEMIZING DEDUCTIONS.—

(1) IN GENERAL.—*In the case of an individual who does not itemize deductions for a taxable year, there shall be taken into account as a direct charitable deduction under section 63 an amount equal to the amount allowable under subsection (a) for the taxable year for cash contributions (determined without regard to any carryover), to the extent that such contributions exceed \$250 (\$500 in the case of a joint return) but do not exceed \$500 (\$1,000 in the case of a joint return).*

(2) TERMINATION.—*Paragraph (1) shall not apply to any taxable year beginning after December 31, 2005.*

[(m)] (n) OTHER CROSS REFERENCES.—

(1) For treatment of certain organizations providing child care, see section 501(k).

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## Subchapter D—Deferred Compensation, Etc.

\* \* \* \* \*

## PART I—PENSION, PROFIT-SHARING, STOCK BONUS PLANS, ETC.

\* \* \* \* \*

### Subpart A—General Rule

\* \* \* \* \*

#### SEC. 408. INDIVIDUAL RETIREMENT ACCOUNTS.

(a) \* \* \*

\* \* \* \* \*

(d) TAX TREATMENT OF DISTRIBUTIONS.—

(1) \* \* \*

\* \* \* \* \*

(8) DISTRIBUTIONS FOR CHARITABLE PURPOSES.—

(A) IN GENERAL.—*No amount shall be includible in gross income by reason of a qualified charitable distribution.*

(B) QUALIFIED CHARITABLE DISTRIBUTION.—*For purposes of this paragraph, the term “qualified charitable distribution” means any distribution from an individual retirement plan other than a plan described in subsection (k) or (p) of section 408—*

*(i) which is made on or after the date that the individual for whose benefit the plan is maintained has attained age 70 1/2, and*

*(ii) which is made directly by the trustee—*

(I) to an organization described in section 170(c), or

(II) to a split-interest entity.

*A distribution shall be treated as a qualified charitable distribution only to the extent that the distribution would be includible in gross income without regard to subparagraph (A) and, in the case of a distribution to a split-interest entity, only if no person holds an income interest in the amounts in the split-interest entity attributable to such distribution other than one or more of the following: the individual for whose benefit such plan is maintained, the spouse of such individual, or any organization described in section 170(c).*

(C) CONTRIBUTIONS MUST BE OTHERWISE DEDUCTIBLE.—For purposes of this paragraph—

(i) DIRECT CONTRIBUTIONS.—A distribution to an organization described in section 170(c) shall be treated as a qualified charitable distribution only if a deduction for the entire distribution would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

(ii) SPLIT-INTEREST GIFTS.—A distribution to a split-interest entity shall be treated as a qualified charitable distribution only if a deduction for the entire value of the interest in the distribution for the use of an organization described in section 170(c) would be allowable under section 170 (determined without regard to subsection (b) thereof and this paragraph).

(D) APPLICATION OF SECTION 72.—Notwithstanding section 72, in determining the extent to which a distribution is a qualified charitable distribution, the entire amount of the distribution shall be treated as includible in gross income without regard to subparagraph (A) to the extent that such amount does not exceed the aggregate amount which would have been so includible if all amounts distributed from all individual retirement plans were treated as 1 contract under paragraph (2)(A) for purposes of determining the inclusion of such distribution under section 72. Proper adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.

(E) SPECIAL RULES FOR SPLIT-INTEREST ENTITIES.—

(i) CHARITABLE REMAINDER TRUSTS.—Notwithstanding section 664(b), distributions made from a trust described in subparagraph (G)(i) shall be treated as ordinary income in the hands of the beneficiary to whom is paid the annuity described in section 664(d)(1)(A) or the payment described in section 664(d)(2)(A).

(ii) POOLED INCOME FUNDS.—No amount shall be includible in the gross income of a pooled income fund (as defined in subparagraph (G)(ii)) by reason of a qualified charitable distribution to such fund, and all distributions from the fund which are attributable to

*qualified charitable distributions shall be treated as ordinary income to the beneficiary.*

(iii) *CHARITABLE GIFT ANNUITIES.—Qualified charitable distributions made for a charitable gift annuity shall not be treated as an investment in the contract.*

(F) *DENIAL OF DEDUCTION.—Qualified charitable distributions shall not be taken into account in determining the deduction under section 170.*

(G) *SPLIT-INTEREST ENTITY DEFINED.—For purposes of this paragraph, the term “split-interest entity” means—*

*(i) a charitable remainder annuity trust or a charitable remainder unitrust (as such terms are defined in section 664(d)) which must be funded exclusively by qualified charitable distributions,*

*(ii) a pooled income fund (as defined in section 642(c)(5)), but only if the fund accounts separately for amounts attributable to qualified charitable distributions, and*

*(iii) a charitable gift annuity (as defined in section 501(m)(5)).*

\* \* \* \* \*

## **Subchapter F—Exempt Organizations**

\* \* \* \* \*

### **PART I—GENERAL RULE**

\* \* \* \* \*

#### **SEC. 501. EXEMPTION FROM TAX ON CORPORATIONS, CERTAIN TRUSTS, ETC.**

(a) \* \* \*

\* \* \* \* \*

(h) **EXPENDITURES BY PUBLIC CHARITIES TO INFLUENCE LEGISLATION.—**

**[(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally—**

**[(A) makes lobbying expenditures in excess of the lobbying ceiling amount for such organization for each taxable year, or**

**[(B) makes grass roots expenditures in excess of the grass roots ceiling amount for such organization for each taxable year.]**

*(1) GENERAL RULE.—In the case of an organization to which this subsection applies, exemption from taxation under subsection (a) shall be denied because a substantial part of the activities of such organization consists of carrying on propaganda, or otherwise attempting, to influence legislation, but only if such organization normally makes lobbying expenditures*

*in excess of the lobbying ceiling amount for such organization for each taxable year.*

(2) DEFINITIONS.—For purposes of this subsection—

(A) \* \* \*

\* \* \* \* \*

[(C) GRASS ROOTS EXPENDITURES.—The term “grass roots expenditures” means expenditures for the purpose of influencing legislation (as defined in section 4911(d) without regard to paragraph (1)(B) thereof.

[(D) GRASS ROOTS CEILING AMOUNT.—The grass roots ceiling amount for any organization for any taxable year is 150 percent of the grass roots nontaxable amount for such organization for such taxable year, determined under section 4911.]

\* \* \* \* \*

(p) SUSPENSION OF TAX-EXEMPT STATUS OF TERRORIST ORGANIZATIONS.—

(1) IN GENERAL.—*The exemption from tax under subsection (a) with respect to any organization described in paragraph (2), and the eligibility of any organization described in paragraph (2) to apply for recognition of exemption under subsection (a), shall be suspended during the period described in paragraph (3).*

(2) TERRORIST ORGANIZATIONS.—*An organization is described in this paragraph if such organization is designated or otherwise individually identified—*

(A) *under section 212(a)(3)(B)(vi)(II) or 219 of the Immigration and Nationality Act as a terrorist organization or foreign terrorist organization,*

(B) *in or pursuant to an Executive order which is related to terrorism and issued under the authority of the International Emergency Economic Powers Act or section 5 of the United Nations Participation Act of 1945 for the purpose of imposing on such organization an economic or other sanction, or*

(C) *in or pursuant to an Executive order issued under the authority of any Federal law if—*

(i) *the organization is designated or otherwise individually identified in or pursuant to such Executive order as supporting or engaging in terrorist activity (as defined in section 212(a)(3)(B) of the Immigration and Nationality Act) or supporting terrorism (as defined in section 140(d)(2) of the Foreign Relations Authorization Act, Fiscal Years 1988 and 1989); and*

(ii) *such Executive order refers to this subsection.*

(3) PERIOD OF SUSPENSION.—*With respect to any organization described in paragraph (2), the period of suspension—*

(A) *begins on the later of—*

(i) *the date of the first publication of a designation or identification described in paragraph (2) with respect to such organization, or*

(ii) *the date of the enactment of this subsection, and*



*(B) ends on the first date that all designations and identifications described in paragraph (2) with respect to such organization are rescinded pursuant to the law or Executive order under which such designation or identification was made.*

*(4) DENIAL OF DEDUCTION.—No deduction shall be allowed under section 170, 545(b)(2), 556(b)(2), 642(c), 2055, 2106(a)(2), or 2522 for any contribution to an organization described in paragraph (2) during the period described in paragraph (3).*

*(5) DENIAL OF ADMINISTRATIVE OR JUDICIAL CHALLENGE OF SUSPENSION OR DENIAL OF DEDUCTION.—Notwithstanding section 7428 or any other provision of law, no organization or other person may challenge a suspension under paragraph (1), a designation or identification described in paragraph (2), the period of suspension described in paragraph (3), or a denial of a deduction under paragraph (4) in any administrative or judicial proceeding relating to the Federal tax liability of such organization or other person.*

*(6) ERRONEOUS DESIGNATION.—*

*(A) IN GENERAL.—If—*

*(i) the tax exemption of any organization described in paragraph (2) is suspended under paragraph (1),*

*(ii) each designation and identification described in paragraph (2) which has been made with respect to such organization is determined to be erroneous pursuant to the law or Executive order under which such designation or identification was made, and*

*(iii) the erroneous designations and identifications result in an overpayment of income tax for any taxable year by such organization,*  
*credit or refund (with interest) with respect to such overpayment shall be made.*

*(B) WAIVER OF LIMITATIONS.—If the credit or refund of any overpayment of tax described in subparagraph (A)(iii) is prevented at any time by the operation of any law or rule of law (including res judicata), such credit or refund may nevertheless be allowed or made if the claim therefor is filed before the close of the 1-year period beginning on the date of the last determination described in subparagraph (A)(ii).*

*(7) NOTICE OF SUSPENSIONS.—If the tax exemption of any organization is suspended under this subsection, the Internal Revenue Service shall update the listings of tax-exempt organizations and shall publish appropriate notice to taxpayers of such suspension and of the fact that contributions to such organization are not deductible during the period of such suspension.*

*(q) TREATMENT OF ORGANIZATIONS MAKING COLLEGIATE HOUSING AND INFRASTRUCTURE IMPROVEMENT GRANTS.—*

*(1) IN GENERAL.—For purposes of subsection (c)(3) and sections 170(c)(2)(B), 2055(a), and 2522(a)(2), an organization shall not fail to be treated as organized and operated exclusively for charitable or educational purposes solely because such organization makes collegiate housing and infrastructure*

*grants to an organization described in subsection (c)(7), so long as, at the time of the grant, substantially all of the active members of the recipient organization are full-time students at the college or university with which such recipient organization is associated.*

(2) *HOUSING AND INFRASTRUCTURE GRANTS.*—For purposes of paragraph (1), collegiate housing and infrastructure grants are grants to provide, improve, operate, or maintain collegiate housing that may involve more than incidental social, recreational, or private purposes, so long as such grants are for purposes that would be permissible for a dormitory of the college or university referred to in paragraph (1). A grant shall not be treated as a collegiate housing and infrastructure grant for purposes of paragraph (1) to the extent that such grant is used to provide physical fitness equipment.

(3) *GRANTS TO CERTAIN ORGANIZATIONS HOLDING TITLE TO PROPERTY, ETC.*—For purposes of this subsection, a collegiate housing and infrastructure grant to an organization described in subsection (c)(2) or (c)(7) holding title to property exclusively for the benefit of an organization described in subsection (c)(7) shall be considered a grant to the organization described in subsection (c)(7) for whose benefit such property is held.

[(p)] (r) *CROSS REFERENCE.*—

For nonexemption of Communist-controlled organizations, see section 11(b) of the Internal Security Act of 1950 (64 Stat. 997; 50 U.S.C. 790(b)).

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### **PART III—TAXATION OF BUSINESS INCOME OF CERTAIN EXEMPT ORGANIZATIONS**

\* \* \* \* \*

#### **SEC. 512. UNRELATED BUSINESS TAXABLE INCOME.**

(a) *DEFINITION.*—For purposes of this title—

(1) \* \* \*

\* \* \* \* \*

(3) *SPECIAL RULES APPLICABLE TO ORGANIZATIONS DESCRIBED IN PARAGRAPH (7), (9), (17), OR (20) OF SECTION 501(C).*—

(A) \* \* \*

\* \* \* \* \*

[(D)] *NONRECOGNITION OF GAIN.*—If property used directly in the performance of the exempt function of an organization described in paragraph (7), (9), (17), or (20) of section 501(c) is sold by such organization, and within a period beginning 1 year before the date of such sale, and ending 3 years after such date, other property is purchased and used by such organization directly in the performance of its exempt function, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of the old property exceeds the organization's cost of purchasing the other property. For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property, shall be

treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) shall apply.】

*(D) NONRECOGNITION OF GAIN.—*

*(i) IN GENERAL.—If property used directly in the performance of the exempt function of an organization described in paragraph (7), (9), (17), or (20) of section 501(c) is sold by such organization, and within a period beginning 1 year before the date of such sale, and ending 3 years (10 years, in the case of an organization described in section 501(c)(7)) after such date, other property is purchased and used by such organization directly in the performance of its exempt function, gain (if any) from such sale shall be recognized only to the extent that such organization's sales price of the old property exceeds the organization's cost of purchasing the other property.*

*(ii) STATUTE OF LIMITATIONS.—If an organization described in section 501(c)(7) sells property on which gain is not recognized, in whole or in part, by reason of clause (i), then the statutory period for the assessment of any deficiency attributable to such gain shall not expire until the end of the 3-year period beginning on the date that the Secretary is notified by such organization (in such manner as the Secretary may prescribe) that—*

*(I) the organization has met the requirements of clause (i) with respect to gain which was not recognized,*

*(II) the organization does not intend to meet such requirements, or*

*(III) the organization failed to meet such requirements within the prescribed period.*

*For the purposes of this clause, any deficiency may be assessed before the expiration of such 3-year period notwithstanding the provisions of any other law or rule of law which would otherwise prevent such assessment.*

*(iii) DESTRUCTION AND LOSS.—For purposes of this subparagraph, the destruction in whole or in part, theft, seizure, requisition, or condemnation of property, shall be treated as the sale of such property, and rules similar to the rules provided by subsections (b), (c), (e), and (j) of section 1034 (as in effect on the day before the date of the enactment of the Taxpayer Relief Act of 1997) shall apply.*

\* \* \* \* \*

**(b) MODIFICATIONS**

The modifications referred to in subsection (a) are the following:

(1) \* \* \*

\* \* \* \* \*

(10) In the case of any organization described in section 511(a), the deduction allowed by section 170 (relating to charitable etc. contributions and gifts) shall be allowed (whether or not directly connected with the carrying on of the trade or business), but shall not exceed **10 percent** *the applicable percentage (determined under section 170(b)(3))* of the unrelated business taxable income computed without the benefit of this paragraph.

\* \* \* \* \*

(13) SPECIAL RULES FOR CERTAIN AMOUNTS RECEIVED FROM CONTROLLED ENTITIES—

(A) \* \* \*

\* \* \* \* \*

(E) PARAGRAPH TO APPLY ONLY TO EXCESS PAYMENTS.—

(i) IN GENERAL.—Subparagraph (A) shall apply only to the portion of a specified payment received or accrued by the controlling organization that exceeds the amount which would have been paid or accrued if such payment met the requirements prescribed under section 482.

(ii) ADDITION TO TAX FOR VALUATION MISSTATEMENTS.—The tax imposed by this chapter on the controlling organization shall be increased by an amount equal to 20 percent of the larger of—

(I) such excess determined without regard to any amendment or supplement to a return of tax, or

(II) such excess determined with regard to all such amendments and supplements.

**[(E)] (F) RELATED PERSONS.**—The Secretary shall prescribe such rules as may be necessary or appropriate to prevent avoidance of the purposes of this paragraph through the use of related persons.

\* \* \* \* \*

#### SEC. 513. UNRELATED TRADE OR BUSINESS.

(a) \* \* \*

\* \* \* \* \*

(f) CERTAIN **[BINGO GAMES]** *GAMES OF CHANCE*.—

**[(1) IN GENERAL.**—The term “unrelated trade or business” does not include any trade or business which consists of conducting bingo games.]

*(1) IN GENERAL.*—The term “unrelated trade or business” does not include—

(A) any trade or business which consists of conducting bingo games, and

(B) any trade or business which consists of conducting qualified games of chance if the net proceeds from such trade or business are paid or set aside for payment for purposes described in section 170(c)(2)(B), for the promotion of social welfare (within the meaning of section 501(c)(4)), or

*for a purpose for which State law specifically authorizes the expenditure of such proceeds.*

\* \* \* \* \*

(3) *QUALIFIED GAMES OF CHANCE.*—For purposes of paragraph (1), the term “qualified game of chance” means any game of chance (other than bingo) conducted by an organization if—

(A) such organization is licensed pursuant to State law to conduct such game,

(B) only organizations which are organized as non-profit corporations or are exempt from tax under section 501(a) may be so licensed to conduct such game within the State, and

(C) the conduct of such game does not violate State or local law.

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## **Subchapter G—Corporations Used to Avoid Income Tax on Shareholders**

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### **PART II—PERSONAL HOLDING COMPANIES**

\* \* \* \* \*

#### **SEC. 545. UNDISTRIBUTED PERSONAL HOLDING COMPANY INCOME.**

(a) \* \* \*

(b) **ADJUSTMENTS TO TAXABLE INCOME.**—For the purposes of subsection (a), the taxable income shall be adjusted as follows:

(1) \* \* \*

(2) **CHARITABLE CONTRIBUTIONS.**—The deduction for charitable contributions provided under section 170 shall be allowed, but in computing such deduction the limitations in section 170(b)(1)(A), (B), and (D) shall apply, and section 170(b)(2) and (d)(1) shall not apply. For purposes of this paragraph, the term “contribution base” when used in section 170(b)(1) means the taxable income computed with the adjustments (other than the **[10-percent limitation]** *applicable percentage limitation*) provided in section 170(b)(2) and (d)(1) and without deduction of the amount disallowed under paragraph (6) of this subsection.

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### **PART III—FOREIGN PERSONAL HOLDING COMPANIES**

\* \* \* \* \*

#### **SEC. 556. UNDISTRIBUTED FOREIGN PERSONAL HOLDING COMPANY INCOME.**

(a) \* \* \*

(b) **ADJUSTMENTS TO TAXABLE INCOME.**—For the purposes of subsection (a), the taxable income shall be adjusted as follows:

(1) \* \* \*

(2) **CHARITABLE CONTRIBUTIONS.**—The deduction for charitable contributions provided under section 170 shall be al-

lowed, but in computing such deduction the limitations in section 170(b)(1)(A), (B), and (D) shall apply, and section 170(b)(2) and (d)(1) shall not apply. For purposes of this paragraph, the term “contribution base” when used in section 170(b)(1) means the taxable income computed with the adjustments (other than the [10-percent limitation] *applicable percentage limitation*) provided in section 170(b)(2) and (d)(1) and without the deduction of the amounts disallowed under paragraphs (5) and (6) of this subsection or the inclusion in gross income of the amounts includible therein as dividends by reason of the application of the provisions of section 555(b) (relating to the inclusion in gross income of a foreign personal holding company of its distributive share of the undistributed foreign personal holding company income of another company in which it is a shareholder).

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## Subchapter J—Estates, Trusts, Beneficiaries, and Decedents

\* \* \* \* \*

### PART I—ESTATES, TRUSTS, AND BENEFICIARIES

\* \* \* \* \*

#### Subpart C—Estates and Trusts Which May Accumulate Income or Which Distribute Corpus

\* \* \* \* \*

#### SEC. 664. CHARITABLE REMAINDER TRUSTS.

(a) \* \* \*

\* \* \* \* \*

[(c) EXEMPTION FROM INCOME TAXES.—A charitable remainder annuity trust and a charitable remainder unitrust shall, for any taxable year, not be subject to any tax imposed by this subtitle, unless such trust, for such year, has unrelated business taxable income (within the meaning of section 512, determined as if part III of subchapter F applied to such trust).]

(c) TAXATION OF TRUSTS.—

(1) INCOME TAX.—*A charitable remainder annuity trust and a charitable remainder unitrust shall, for any taxable year, not be subject to any tax imposed by this subtitle.*

(2) EXCISE TAX.—

(A) IN GENERAL.—*In the case of a charitable remainder annuity trust or a charitable remainder unitrust that has unrelated business taxable income (within the meaning of section 512, determined as if part III of subchapter F applied to such trust) for a taxable year, there is hereby imposed on such trust or unitrust an excise tax equal to the amount of such unrelated business taxable income.*

(B) CERTAIN RULES TO APPLY.—*The tax imposed by subparagraph (A) shall be treated as imposed by chapter 42*

for purposes of this title other than subchapter E of chapter 42.

(C) *CHARACTER OF DISTRIBUTIONS AND COORDINATION WITH DISTRIBUTION REQUIREMENTS.*—The amounts taken into account in determining unrelated business taxable income (as defined in subparagraph (A)) shall not be taken into account for purposes of—

- (i) subsection (b),
- (ii) determining the value of trust assets under subsection (d)(2), and
- (iii) determining income under subsection (d)(3).

(D) *TAX COURT PROCEEDINGS.*—For purposes of this paragraph, the references in section 6212(c)(1) to section 4940 shall be deemed to include references to this paragraph.

\* \* \* \* \*

## Subchapter L—Insurance Companies

\* \* \* \* \*

### PART I—LIFE INSURANCE COMPANIES

\* \* \* \* \*

#### Subpart C—Life Insurance Deductions

\* \* \* \* \*

#### SEC. 805. GENERAL DEDUCTIONS.

(a) \* \* \*

(b) MODIFICATIONS.—The modifications referred to in subsection (a)(8) are as follows:

(1) \* \* \*

(2) CHARITABLE, ETC., CONTRIBUTIONS AND GIFTS.—In applying section 170—

(A) the limit on the total deductions under such section provided by section 170(b)(2) shall be **10 percent** *the applicable percentage (determined under section 170(b)(3))* of the life insurance company taxable income computed without regard to—

(i) \* \* \*

\* \* \* \* \*

## Subchapter S—Tax Treatment of S Corporations and Their Shareholders

\* \* \* \* \*

### PART II—TAX TREATMENT OF SHAREHOLDERS

\* \* \* \* \*

#### SEC. 1367. ADJUSTMENTS TO BASIS OF STOCK OF SHAREHOLDERS, ETC.

(a) GENERAL RULE.—

(1) \* \* \*

(2) DECREASES IN BASIS.—The basis of each shareholder's stock in an S corporation shall be decreased for any period (but not below zero) by the sum of the following items determined with respect to the shareholder for such period:

(A) \* \* \*

\* \* \* \* \*

*The decrease under subparagraph (B) by reason of a charitable contribution (as defined in section 170(c)) of property shall be the amount equal to the shareholder's pro rata share of the adjusted basis of such property.*

\* \* \* \* \*

## Subtitle D—Miscellaneous Excise Taxes

\* \* \* \* \*

### CHAPTER 31—RETAIL EXCISE TAXES

\* \* \* \* \*

#### Subchapter B—Special Fuels

\* \* \* \* \*

#### SEC. 4041. IMPOSITION OF TAX.

(a) \* \* \*

\* \* \* \* \*

(g) OTHER EXEMPTIONS.—Under regulations prescribed by the Secretary, no tax shall be imposed under this section—

(1) \* \* \*

\* \* \* \* \*

(3) upon the sale of any liquid for export, or for shipment to a possession of the United States, and in due course so exported or shipped; **[and]**

(4) with respect to the sale of any liquid to a nonprofit educational organization for its exclusive use, or with respect to the use by a nonprofit educational organization of any liquid as a fuel~~...~~; and

(5) with respect to the sale of any liquid to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use, or with respect to the use by a qualified blood collector organization of any liquid as a fuel.

\* \* \* \* \*

### CHAPTER 32—MANUFACTURERS EXCISE TAXES

#### Subchapter G—Exemptions, Registration, Etc.

\* \* \* \* \*



**SEC. 4221. CERTAIN TAX-FREE SALES.**

(a) **GENERAL RULE.**—Under regulations prescribed by the Secretary, no tax shall be imposed under this chapter (other than under section 4121, 4081, or 4091) on the sale by the manufacturer (or under subchapter A or C of chapter 31 on the first retail sale) of an article—

(1) \* \* \*

\* \* \* \* \*

(4) to a State or local government for the exclusive use of a State or local government, **[or]**

(5) to a nonprofit educational organization for its exclusive use, *or*

(6) *to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use,*

but only if such exportation or use is to occur before any other use. **[Paragraphs (4) and (5)]** *Paragraphs (4), (5), and (6)* shall not apply to the tax imposed by section 4064. In the case of taxes imposed by section 4051, or 4071, paragraphs (4) and (5) shall not apply on and after October 1, 2005. In the case of the tax imposed by section 4131, paragraphs (3), (4), and (5) shall not apply and paragraph (2) shall apply only if the use of the exported vaccine meets such requirements as the Secretary may by regulations prescribe. In the case of taxes imposed by subchapter A of chapter 31, paragraphs (1), (3), (4), and (5) shall not apply.

\* \* \* \* \*

## **CHAPTER 33—FACILITIES AND SERVICES**

\* \* \* \* \*

### **Subchapter B—Communications**

\* \* \* \* \*

**SEC. 4253. EXEMPTIONS.**

(a) \* \* \*

\* \* \* \* \*

(k) **EXEMPTION FOR QUALIFIED BLOOD COLLECTOR ORGANIZATIONS.**—Under regulations provided by the Secretary, no tax shall be imposed under section 4251 on any amount paid by a qualified blood collector organization (as defined in section 7701(a)(48)) for services or facilities furnished to such organization.

**[(k)] (l) FILING OF EXEMPTION CERTIFICATES.**—

(1) **IN GENERAL.**—In order to claim an exemption under subsection (c), (h), (i), **[or (j)]** (j), or (k), a person shall provide to the provider of communications services a statement (in such form and manner as the Secretary may provide) certifying that such person is entitled to such exemption.

\* \* \* \* \*

## CHAPTER 41—PUBLIC CHARITIES

\* \* \* \* \*

### SEC. 4911. TAX ON EXCESS EXPENDITURES TO INFLUENCE LEGISLATION.

(a) \* \* \*

[(b) EXCESS LOBBYING EXPENDITURES.—For purposes of this section, the term “excess lobbying expenditures” means, for a taxable year, the greater of—

[(1) the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year, or

[(2) the amount by which the grass roots expenditures made by the organization during the taxable year exceed the grass roots nontaxable amount for such organization for such taxable year.]

(b) *EXCESS LOBBYING EXPENDITURES.*—*For purposes of this section, the term “excess lobbying expenditures” means, for a taxable year, the amount by which the lobbying expenditures made by the organization during the taxable year exceed the lobbying nontaxable amount for such organization for such taxable year.*

(c) DEFINITIONS.—For purposes of this section—

(1) \* \* \*

\* \* \* \* \*

[(3) GRASS ROOTS EXPENDITURES.—The term “grass roots expenditures” means expenditures for the purpose of influencing legislation (as defined in subsection (d) without regard to paragraph (1)(B) thereof).

[(4) GRASS ROOTS NONTAXABLE AMOUNT.—The grass roots nontaxable amount for any organization for any taxable year is 25 percent of the lobbying nontaxable amount (determined under paragraph (2)) for such organization for such taxable year.]

\* \* \* \* \*

(f) AFFILIATED ORGANIZATIONS.—

(1) IN GENERAL.—Except as otherwise provided in paragraph (4), if for a taxable year two or more organizations described in section 501(c)(3) are members of an affiliated group of organizations as defined in paragraph (2), and an election under section 501(h) is effective for at least one such organization for such year, then—

(A) the determination as to whether excess lobbying expenditures have been made and the determination as to whether the expenditure [limits of section 501(h)(1) have] *limit of section 501(h)(1) has* been exceeded shall be made as though such affiliated group is one organization,

\* \* \* \* \*

(C) if the expenditure [limits of section 501(h)(1) are] *limit of section 501(h)(1) is* exceeded, each such organization as to which an election under section 501(h) is effective for such year shall be treated as an organization

which is not described in section 501(c)(3) by reason of the application of 501(h), and

\* \* \* \* \*

(4) LIMITED CONTROL.—If two or more organizations are members of an affiliated group of organizations (as defined in paragraph (2) without regard to subparagraph (B) thereof), no two members of such affiliated group are affiliated (as defined in paragraph (2) without regard to subparagraph (A) thereof), and the governing instrument of no such organization requires it to be bound by decisions of any of the other such organizations on legislative issues other than as to action with respect to Acts, bills, resolutions, or similar items by the Congress, then—

(A) in the case of any organization whose decisions bind one or more members of such affiliated group, directly or indirectly, the determination as to whether such organization has paid or incurred excess lobbying expenditures and the determination as to whether such organization has exceeded the expenditure ~~limits of section 501(h)(1)~~ *limit of section 501(h)(1)* shall be made as though such organization has paid or incurred those amounts paid or incurred by such members of such affiliated group to influence legislation with respect to Acts, bills, resolutions, or similar items by the Congress, and

(B) in the case of any organization to which subparagraph (A) does not apply, but which is a member of such affiliated group, the determination as to whether such organization has paid or incurred excess lobbying expenditures and the determination as to whether such organization has exceeded the expenditure ~~limits of section 501(h)(1)~~ *limit of section 501(h)(1)* shall be made as though such organization is not a member of such affiliated group.

\* \* \* \* \*

## CHAPTER 42—PRIVATE FOUNDATIONS & CERTAIN OTHER TAX-EXEMPT ORGANIZATIONS

\* \* \* \* \*

### Subchapter A—Private Foundations

\* \* \* \* \*

#### SEC. 4940. EXCISE TAX BASED ON INVESTMENT INCOME.

(a) TAX-EXEMPT FOUNDATIONS.—There is hereby imposed on each private foundation which is exempt from taxation under section 501(a) for the taxable year, with respect to the carrying on of its activities, a tax equal to ~~2~~ 1 percent of the net investment income of such foundation for the taxable year.

\* \* \* \* \*

~~[(e) REDUCTION IN TAX WHERE PRIVATE FOUNDATION MEETS CERTAIN DISTRIBUTION REQUIREMENTS.—~~

[(1) IN GENERAL.—In the case of any private foundation which meets the requirements of paragraph (2) for any taxable year, subsection (a) shall be applied with respect to such taxable year by substituting “1 percent” for “2 percent”.

[(2) REQUIREMENTS.—A private foundation meets the requirements of this paragraph for any taxable year if—

[(A) the amount of the qualifying distributions made by the private foundation during such taxable year equals or exceeds the sum of—

[(i) an amount equal to the assets of such foundation for such taxable year multiplied by the average percentage payout for the base period, plus

[(ii) 1 percent of the net investment income of such foundation for such taxable year, and

[(B) such private foundation was not liable for tax under section 4942 with respect to any year in the base period.

[(3) AVERAGE PERCENTAGE PAYOUT FOR BASE PERIOD.—For purposes of this subsection—

[(A) IN GENERAL.—The average percentage payout for the base period is the average of the percentage payouts for taxable years in the base period.

[(B) PERCENTAGE PAYOUT.—The term “percentage payout” means, with respect to any taxable year, the percentage determined by dividing—

[(i) the amount of the qualifying distributions made by the private foundation during the taxable year, by

[(ii) the assets of the private foundation for the taxable year.

[(C) SPECIAL RULE WHERE TAX REDUCED UNDER THIS SUBSECTION.—For purposes of this paragraph, if the amount of the tax imposed by this section for any taxable year in the base period is reduced by reason of this subsection, the amount of the qualifying distributions made by the private foundation during such year shall be reduced by the amount of such reduction in tax.

[(4) BASE PERIOD.—For purposes of this subsection—

[(A) IN GENERAL.—The term “base period” means, with respect to any taxable year, the 5 taxable years preceding such taxable year.

[(B) NEW PRIVATE FOUNDATIONS, ETC.—If an organization has not been a private foundation throughout the base period referred to in subparagraph (A), the base period shall consist of the taxable years during which such foundation has been in existence.

[(5) OTHER DEFINITIONS.—For purposes of this subsection—

[(A) QUALIFYING DISTRIBUTION.—The term “qualifying distribution” has the meaning given such term by section 4942(g).

[(B) ASSETS.—The assets of a private foundation for any taxable year shall be treated as equal to the excess determined under section 4942(e)(1).

[(6) TREATMENT OF SUCCESSOR ORGANIZATIONS, ETC.—In the case of—

[(A) a private foundation which is a successor to another private foundation, this subsection shall be applied with respect to such successor by taking into account the experience of such other foundation, and

[(B) a merger, reorganization, or division of a private foundation, this subsection shall be applied under regulations prescribed by the Secretary.]

\* \* \* \* \*

#### SEC. 4941. TAXES ON SELF-DEALING.

(a) INITIAL TAXES.—

(1) ON SELF-DEALER.—There is hereby imposed a tax on each act of self-dealing between a disqualified person and a private foundation. The rate of tax shall be equal to [5] 25 percent of the amount involved with respect to the act of self-dealing for each year (or part thereof) in the taxable period. The tax imposed by this paragraph shall be paid by any disqualified person (other than a foundation manager acting only as such) who participates in the act of self-dealing. In the case of a government official (as defined in section 4946(c)), a tax shall be imposed by this paragraph only if such disqualified person participates in the act of self-dealing knowing that it is such an act.

\* \* \* \* \*

#### SEC. 4942. TAXES ON FAILURE TO DISTRIBUTE INCOME.

(a) \* \* \*

\* \* \* \* \*

(f) ADJUSTED NET INCOME.—

(1) \* \* \*

(2) INCOME MODIFICATIONS.—The income modifications referred to in paragraph (1)(A) are as follows:

(A) \* \* \*

\* \* \* \* \*

(C) there shall be taken into account—

(i) amounts received or accrued as repayments of amounts which were taken into account as a qualifying distribution within the meaning of subsection (g)(1)(A) *(determined without regard to subsection (g)(4))* for any taxable year;

\* \* \* \* \*

(g) QUALIFYING DISTRIBUTIONS DEFINED

(1) \* \* \*

\* \* \* \* \*

[(4) LIMITATION ON ADMINISTRATIVE EXPENSES ALLOCABLE TO MAKING OF CONTRIBUTIONS, GIFTS, AND GRANTS.—

[(A) IN GENERAL.—The amount of the grant administrative expenses paid during any taxable year which may be taken into account as qualifying distributions shall not exceed the excess (if any) of—

[(i) .65 percent of the sum of the net assets of the private foundation for such taxable year and the immediately preceding 2 taxable years, over

[(ii) the aggregate amount of grant administrative expenses paid during the 2 preceding taxable years which were taken into account as qualifying distributions.

[(B) GRANT ADMINISTRATIVE EXPENSES.—For purposes of this paragraph, the term “grant administrative expenses” means any administrative expenses which are allocable to the making of qualified grants.

[(C) QUALIFIED GRANTS.—For purposes of this paragraph, the term “qualified grant” means any contribution, gift, or grant which is a qualifying distribution.

[(D) NET ASSET.—For purposes of this paragraph, the term “net assets” means, with respect to any taxable year, the excess determined under subsection (e)(1) for such taxable year.

[(E) TRANSITIONAL RULE.—In the case of any preceding taxable year which begins before January 1, 1985, the amount of the grant administrative expenses taken into account under subparagraph (A)(ii) shall not exceed .65 percent of the net assets of the private foundation for such taxable year.

[(F) TERMINATION.—This paragraph shall not apply to taxable years beginning after December 31, 1990.]

*(4) LIMITATION ON ADMINISTRATIVE EXPENSES TREATED AS DISTRIBUTIONS.—*

*(A) IN GENERAL.—For purposes of paragraph (1)(A), the following administrative expenses shall not be treated as qualifying distributions:*

*(i) Any administrative expense which is not directly attributable to direct charitable activities, grant selection activities, grant monitoring and administration activities, compliance with applicable Federal, State, or local law, or furthering public accountability of the private foundation.*

*(ii) Any compensation paid to a disqualified person to the extent that such compensation exceeds an annual rate of \$100,000.*

*(iii) Any expense incurred for transportation by air unless such transportation is regularly-scheduled commercial air transportation.*

*(iv) Any expense incurred for regularly-scheduled commercial air transportation to the extent that such expense exceeds the cost of such transportation in coach-class accommodations.*

*(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after December 31, 2004, the \$100,000 amount in subparagraph (A)(ii) shall be increased by an amount equal to—*

*(i) such dollar amount, multiplied by*

*(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the tax-*

*able year begins, determined by substituting “calendar year 2003” for “calendar year 1992” in subparagraph (B) thereof.*

*If any amount as increased under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.*

(5) *REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of paragraph (4). Such regulations shall provide that administrative expenses which are excluded from qualifying distributions solely by reason of the limitations in paragraph (4) shall not for such reason subject a private foundation to any other excise taxes imposed by this subchapter.*

\* \* \* \* \*

(j) OTHER DEFINITIONS.—For purposes of this section—

(1) \* \* \*

\* \* \* \* \*

(3) OPERATING FOUNDATION.—For purposes of this section, the term “operating foundation” means any organization—

(A) which makes qualifying distributions [(within the meaning of paragraph (1) or (2) of subsection (g))] directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated equal to substantially all of the lesser of—

(i) \* \* \*

\* \* \* \* \*

(B)(i) \* \* \*

(ii) which normally makes qualifying distributions [(within the meaning of paragraph (1) or (2) of subsection (g))] directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated in an amount not less than two-thirds of its minimum investment return (as defined in subsection (e)), or

\* \* \* \* \*

Notwithstanding the provisions of subparagraph (A), if the qualifying distributions [(within the meaning of paragraph (1) or (2) of subsection (g))] of an organization for the taxable year exceed the minimum investment return for the taxable year, clause (ii) of subparagraph (A) shall not apply unless substantially all of such qualifying distributions are made directly for the active conduct of the activities constituting the purpose or function for which it is organized and operated. *For purposes of this paragraph, the term “qualifying distributions” means qualifying distributions within the meaning of paragraph (1) or (2) of subsection (g) (determined without regard to subsection (g)(4)).*

\* \* \* \* \*

## Subtitle F—Procedure and Administration

\* \* \* \* \*

### CHAPTER 61—INFORMATION AND RETURNS

\* \* \* \* \*

#### Subchapter A—Returns and Records

\* \* \* \* \*

#### PART III—INFORMATIONAL RETURNS

\* \* \* \* \*

#### Subpart A—Information Concerning Persons Subject to Special Provisions

\* \* \* \* \*

#### SEC. 6033. RETURNS BY EXEMPT ORGANIZATIONS.

(a) \* \* \*

(b) CERTAIN ORGANIZATIONS DESCRIBED IN SECTION 501(c)(3).—Every organization described in section 501(c)(3) which is subject to the requirements of subsection (a) shall furnish annually information, at such time and in such manner as the Secretary may by forms or regulations prescribe, setting forth—

(1) \* \* \*

\* \* \* \* \*

(8) in the case of an organization with respect to which an election under section 501(h) is effective for the taxable year, the following amounts for such organization for such taxable year:

(A) the lobbying expenditures (as defined in section 4911(c)(1)), and

(B) the lobbying nontaxable amount (as defined in section 4911(c)(2)),

[(C) the grass roots expenditures (as defined in section 4911(c)(3)), and

[(D) the grass roots nontaxable amount (as defined in section 4911(c)(4)),]

\* \* \* \* \*

#### [SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION 4947(A)(2) OR CLAIMING CHARITABLE DEDUCTIONS UNDER SECTION 642(C).

[(a) GENERAL RULE.—Every trust described in section 4947(a)(2) or claiming a charitable, etc., deduction under section 642(c) for the taxable year shall furnish such information with respect to such taxable year as the Secretary may by forms or regulations prescribe, including—

[(1) the amount of the charitable, etc., deduction taken under section 642(c) within such year,



[(2) the amount paid out within such year which represents amounts for which charitable, etc., deductions under section 642(c) have been taken in prior years,

[(3) the amount for which charitable, etc., deductions have been taken in prior years but which has not been paid out at the beginning of such year,

[(4) the amount paid out of principal in the current and prior years for charitable, etc., purposes,

[(5) the total income of the trust within such year and the expenses attributable thereto, and

[(6) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

[(b) EXCEPTIONS.—This section shall not apply in the case of a taxable year if all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries. This section shall not apply in the case of a trust described in section 4947(a)(1).

[(c) CROSS REFERENCE.—

[For provisions relating to penalties for failure to file a return required by this section, see section 6652(c).]

**SEC. 6034. RETURNS BY TRUSTS DESCRIBED IN SECTION 4947(a)(2) OR CLAIMING CHARITABLE DEDUCTIONS UNDER SECTION 642(c).**

(a) *TRUSTS DESCRIBED IN SECTION 4947(a)(2).*—Every trust described in section 4947(a)(2) shall furnish such information with respect to the taxable year as the Secretary may by forms or regulations require.

(b) *TRUSTS CLAIMING A CHARITABLE DEDUCTION UNDER SECTION 642(c).*—

(1) *IN GENERAL.*—Every trust not required to file a return under subsection (a) but claiming a deduction under section 642(c) for the taxable year shall furnish such information with respect to such taxable year as the Secretary may by forms or regulations prescribe, including—

(A) the amount of the deduction taken under section 642(c) within such year,

(B) the amount paid out within such year which represents amounts for which deductions under section 642(c) have been taken in prior years,

(C) the amount for which such deductions have been taken in prior years but which has not been paid out at the beginning of such year,

(D) the amount paid out of principal in the current and prior years for the purposes described in section 642(c),

(E) the total income of the trust within such year and the expenses attributable thereto, and

(F) a balance sheet showing the assets, liabilities, and net worth of the trust as of the beginning of such year.

(2) *EXCEPTIONS.*—Paragraph (1) shall not apply to a trust for any taxable year if—

(A) all the net income for such year, determined under the applicable principles of the law of trusts, is required to be distributed currently to the beneficiaries, or

*(B) the trust is described in section 4947(a)(1).*

\* \* \* \* \*

## **Subchapter B—Miscellaneous Provisions**

\* \* \* \* \*

### **SEC. 6104. PUBLICITY OF INFORMATION REQUIRED FROM CERTAIN EXEMPT ORGANIZATIONS AND CERTAIN TRUSTS.**

(a) \* \* \*

(b) **INSPECTION OF ANNUAL INFORMATION RETURNS.**—The information required to be furnished by sections 6033, 6034, and 6058, together with the names and addresses of such organizations and trusts, shall be made available to the public at such times and in such places as the Secretary may prescribe. Nothing in this subsection shall authorize the Secretary to disclose the name or address of any contributor to any organization or trust (other than a private foundation, as defined in section 509(a) or a political organization exempt from taxation under section 527) which is required to furnish such information. In the case of an organization described in section 501(d), this subsection shall not apply to copies referred to in section 6031(b) with respect to such organization. *In the case of a trust which is required to file a return under section 6034(a), this subsection shall not apply to information regarding beneficiaries which are not organizations described in section 170(c).*

\* \* \* \* \*

## **CHAPTER 65—ABATEMENTS, CREDITS, AND REFUNDS**

\* \* \* \* \*

### **Subchapter B—Rules for Special Application**

\* \* \* \* \*

### **SEC. 6416. CERTAIN TAXES ON SALES AND SERVICES.**

(a) \* \* \*

(b) **SPECIAL CASES IN WHICH TAX PAYMENTS CONSIDERED OVERPAYMENTS.**—Under regulations prescribed by the Secretary, credit or refund (without interest) shall be allowed or made in respect of the overpayments determined under the following paragraphs:

(1) \* \* \*

(2) **SPECIFIED USES AND RESALES.**—The tax paid under chapter 32 (or under subsection (a) or (d) of section 4041 in respect of sales or under section 4051) in respect of any article shall be deemed to be an overpayment if such article was, by any person—

(A) \* \* \*

\* \* \* \* \*

(E) sold to a qualified blood collector organization (as defined in section 7701(a)(48)) for such organization's exclusive use;

[(E)] (F) in the case of any tire taxable under section 4071(a), sold to any person for use as described in section 4221(e)(3); or

[(F)] (G) in the case of gasoline, used or sold for use in the production of special fuels referred to in section 4041.

Subparagraphs (C) and (D) Subparagraphs (C), (D), and (E) shall not apply in the case of any tax paid under section 4064. In the case of the tax imposed by section 4131, subparagraphs (B), [(C), and (D)] (C), (D), and (E) shall not apply and subparagraph (A) shall apply only if the use of the exported vaccine meets such requirements as the Secretary may by regulations prescribe. This paragraph shall not apply in the case of any tax imposed under section 4041(a)(1) or 4081 on diesel fuel or kerosene and any tax paid under section 4091 or 4121.

\* \* \* \* \*

(4) TIRES.—If—

(A) \* \* \*

(B) such tire is sold by any person on or in connection with, or with the sale of, any other article, such tax shall be deemed to be an overpayment by such person if such other article is—

(i) an automobile bus chassis or an automobile bus body, or

(ii) by such person exported, sold to a State or local government for the exclusive use of a State or local government, sold to a nonprofit educational organization for its exclusive use, sold to a qualified blood collector organization (as defined in section 7701(a)(48)) for its exclusive use, or used or sold for use as supplies for vessels or aircraft.

\* \* \* \* \*

**SEC. 6421. GASOLINE USED FOR CERTAIN NONHIGHWAY PURPOSES, USED BY LOCAL TRANSIT SYSTEMS, OR SOLD FOR CERTAIN EXEMPT PURPOSES.**

(a) \* \* \*

\* \* \* \* \*

(c) EXEMPT PURPOSES.—If gasoline is sold to any person for any purpose described in paragraph (2), (3), (4) [(or (5))] (5), or (6) of section 4221(a), the Secretary shall pay (without interest) to such person an amount equal to the product of the number of gallons of gasoline so sold multiplied by the rate at which tax was imposed on such gasoline by section 4081. The preceding sentence shall apply notwithstanding paragraphs (2) and (3) of subsection (f). Subsection (a) shall not apply to gasoline to which this subsection applies.

\* \* \* \* \*

## CHAPTER 68—ADDITIONS TO THE TAX, ADDITIONAL AMOUNTS, AND ASSESSABLE PENALTIES

\* \* \* \* \*

### Subchapter A—Additions to the Tax, Additional Amounts

\* \* \* \* \*

#### PART I—GENERAL PROVISIONS

\* \* \* \* \*

#### SEC. 6652. FAILURE TO FILE CERTAIN INFORMATION RETURNS, REGISTRATION STATEMENTS, ETC.

(a) \* \* \*

\* \* \* \* \*

(c) RETURNS BY EXEMPT ORGANIZATIONS AND BY CERTAIN TRUSTS.—

(1) \* \* \*

(2) RETURNS UNDER SECTION 6034 OR 6043(B).—

(A) \* \* \*

\* \* \* \* \*

(C) *SPLIT-INTEREST TRUSTS.*—*In the case of a trust which is required to file a return under section 6034(a), subparagraphs (A) and (B) of this paragraph shall not apply and paragraph (1) shall apply in the same manner as if such return were required under section 6033, except that—*

*(i) the 5 percent limitation in the second sentence of paragraph (1)(A) shall not apply,*

*(ii) in the case of any trust with gross income in excess of \$250,000, the first sentence of paragraph (1)(A) shall be applied by substituting “\$100” for “\$20”, and the second sentence thereof shall be applied by substituting “\$50,000” for “\$10,000”, and*

*(iii) the third sentence of paragraph (1)(A) shall be disregarded.*

*In addition to any penalty imposed on the trust pursuant to this subparagraph, if the person required to file such return knowingly fails to file the return, such penalty shall also be imposed on such person who shall be personally liable for such penalty.*

\* \* \* \* \*

## CHAPTER 76—JUDICIAL PROCEEDINGS

\* \* \* \* \*

## Subchapter B—Proceedings by Taxpayers and Third Parties

\* \* \* \* \*

### SEC. 7428. DECLARATORY JUDGMENTS RELATING TO STATUS AND CLASSIFICATION OF ORGANIZATIONS UNDER SECTION 501(C)(3), ETC.

(a) CREATION OF REMEDY.—In a case of actual controversy involving—

(1) a determination by the Secretary—

(A) \* \* \*

(B) with respect to the initial classification or continuing classification of an organization as a private foundation (as defined in section 509(a)) *or as a private operating foundation (as defined in section 4942(j)(3))*, or

[(C) with respect to the initial classification or continuing classification of an organization as a private operating foundation (as defined in section 4942(j)(3)), or]

*(C) with respect to the initial qualification or continuing qualification of an organization as an organization described in subsection (c) (other than paragraph (3)) or (d) of section 501 which is exempt from tax under section 501(a), or*

(2) a failure by the Secretary to make a determination with respect to an issue referred to in paragraph (1),

upon the filing of an appropriate pleading, the [United States Tax Court, the United States Claims Court, or the district court of the United States for the District of Columbia] *United States Tax Court (in the case of any such determination or failure) or the United States Claims Court or the district court of the United States for the District of Columbia (in the case of a determination or failure with respect to an issue referred to in subparagraph (A) or (B) of paragraph (1))*, may make a declaration with respect to such initial qualification or continuing qualification or with respect to such initial classification or continuing classification. Any such declaration shall have the force and effect of a decision of the Tax Court or a final judgment or decree of the district court or the Claims Court, as the case may be, and shall be reviewable as such. For purposes of this section, a determination with respect to a continuing qualification or continuing classification includes any revocation of or other change in a qualification or classification.

\* \* \* \* \*

## CHAPTER 78—DISCOVERY OF LIABILITY AND ENFORCEMENT OF TITLE

\* \* \* \* \*

### Subchapter A—Examination and Inspection

\* \* \* \* \*

**SEC. 7611. RESTRICTIONS ON CHURCH TAX INQUIRIES AND EXAMINATIONS.**

(a) \* \* \*

\* \* \* \* \*

(i) SECTION NOT TO APPLY TO CRIMINAL INVESTIGATIONS, ETC.—This section shall not apply to—

(1) \* \* \*

\* \* \* \* \*

(4) any willful attempt to defeat or evade any tax imposed by this title, [or]

(5) any knowing failure to file a return of tax imposed by this title[.], or

(6) *information provided by the Secretary related to the standards for exemption from tax under this title and the requirements under this title relating to unrelated business taxable income.*

\* \* \* \* \*

**CHAPTER 79—DEFINITIONS**

\* \* \* \* \*

**SEC. 7701. DEFINITIONS.**

(a) When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof—

(1) \* \* \*

\* \* \* \* \*

(48) *QUALIFIED BLOOD COLLECTOR ORGANIZATION.—The term “qualified blood collector organization” means an organization which is—*(A) *described in section 501(c)(3) and exempt from tax under section 501(a),*(B) *registered by the Food and Drug Administration to collect blood, and*(C) *primarily engaged in the activity of the collection of blood.*

\* \* \* \* \*

**SOCIAL SECURITY ACT**

\* \* \* \* \*

**TITLE IV—GRANTS TO STATES FOR AID AND SERVICES TO NEEDY FAMILIES WITH CHILDREN AND FOR CHILD-WELFARE SERVICES**

\* \* \* \* \*

## PART A—BLOCK GRANTS TO STATES FOR TEMPORARY ASSISTANCE FOR NEEDY FAMILIES

\* \* \* \* \*

### SEC. 404. USE OF GRANTS.

(a) \* \* \*

\* \* \* \* \*

(d) AUTHORITY TO USE PORTION OF GRANT FOR OTHER PURPOSES.—

(1) \* \* \*

[(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—

[(A) IN GENERAL.—A State may use not more than the applicable percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.

[(B) APPLICABLE PERCENT.—For purposes of subparagraph (A), the applicable percent is 4.25 percent in the case of fiscal year 2001 and each succeeding fiscal year.]

(2) LIMITATION ON AMOUNT TRANSFERABLE TO TITLE XX PROGRAMS.—A State may use not more than 10 percent of the amount of any grant made to the State under section 403(a) for a fiscal year to carry out State programs pursuant to title XX.

\* \* \* \* \*

## PART F—COMPASSION CAPITAL FUND

### SEC. 481. SECRETARY'S FUND TO SUPPORT AND REPLICATE PROMISING SOCIAL SERVICE PROGRAMS.

(a) GRANT AUTHORITY.—

(1) IN GENERAL.—The Secretary may make grants to support any private entity that operates a promising social services program.

(2) APPLICATIONS.—An entity desiring to receive a grant under paragraph (1) shall submit to the Secretary an application for the grant, which shall contain such information as the Secretary may require.

(b) CONTRACT AUTHORITY, ETC.—The Secretary may enter into a grant, contract, or cooperative agreement with any entity under which the entity would provide technical assistance to another entity to operate a social service program that assists persons and families in need, including by—

(1) providing the other entity with—

(A) technical assistance and information, including legal assistance and other business assistance;

(B) information on capacity-building;

(C) information and assistance in identifying and using best practices for serving persons and families in need; or

(D) assistance in replicating programs with demonstrated effectiveness in assisting persons and families in need; or

(2) *supporting research on the best practices of social service organizations.*

(c) *GUIDANCE AND TECHNICAL ASSISTANCE.—The Secretary may use not more than 25 percent of the amount appropriated under this section for a fiscal year to provide guidance and technical assistance to States and political subdivisions of States with respect to the implementation of any social service program.*

(d) *SOCIAL SERVICES PROGRAM DEFINED.—In this section, the term “social services program” means a program that provides benefits or services of any kind to persons and families in need.*

(e) *LIMITATIONS ON AUTHORIZATION OF APPROPRIATIONS.—To carry out this section, there are authorized to be appropriated to the Secretary \$150,000,000 for fiscal year 2004, and such sums as may be necessary for fiscal years 2005 through 2008.*

\* \* \* \* \*

## ASSETS FOR INDEPENDENCE ACT

# TITLE IV—ASSETS FOR INDEPENDENCE

### SEC. 401. SHORT TITLE.

This title may be cited as the “Assets for Independence Act”.

\* \* \* \* \*

### SEC. 404. DEFINITIONS.

In this title:

(1) \* \* \*

\* \* \* \* \*

(8) **QUALIFIED EXPENSES.**—The term “qualified expenses” means one or more of the following, as provided by a qualified entity:

(A) **POSTSECONDARY EDUCATIONAL EXPENSES.**—Postsecondary educational expenses paid from an individual development account directly to an eligible educational institution or a vendor, but only to the extent that the expenses are described in a document which explains the educational items to be purchased, and the document and the expenses are approved by the qualified entity. In this subparagraph:

(i) \* \* \*

\* \* \* \* \*

### SEC. 407. RESERVE FUND.

(a) \* \* \*

\* \* \* \* \*

(c) **USE OF AMOUNTS IN THE RESERVE FUND.**—

(1) \* \* \*

\* \* \* \* \*

(3) **LIMITATION ON USES.**—Not more than 15 percent of the amounts provided to a qualified entity under section 406(b) shall be used by the qualified entity for the purposes described



in subparagraphs (A), (C), and (D) of paragraph (1), of which not less than 2 percent of the amounts shall be used by the qualified entity for the purposes described in paragraph (1)(D). Of the total amount specified in this paragraph, not more than 7.5 percent shall be used for administrative functions under paragraph (1)(C), including program management, reporting requirements, recruitment and enrollment of individuals, and monitoring. The remainder of the total amount specified in this paragraph (not including the amount specified for use for the purposes described in paragraph (1)(D)) shall be used for non-administrative functions described in paragraph (1)(A), including case management, budgeting, economic literacy, and credit counseling. If the cost of nonadministrative functions described in paragraph (1)(A) is less than 5.5 percent of the total amount specified in this paragraph, such excess funds may be used for administrative functions. If two or more qualified entities are jointly administering a project, no qualified entity shall use more than its proportional share for the purposes described in subparagraphs (A), (C), and (D) of paragraph (1). *The preceding sentences of this paragraph shall not apply to amounts used by an entity for any activity described in paragraph (1)(A).*

(d) UNUSED FEDERAL GRANT FUNDS TRANSFERRED TO THE SECRETARY **【WHEN PROJECT TERMINATES】**.—Notwithstanding subsection (c), **【upon】** *on the date that is 6 months after* the termination of any demonstration project authorized under this section, the qualified entity conducting the project shall transfer to the Secretary an amount equal to—

(1) \* \* \*

\* \* \* \* \*

#### **SEC. 408. ELIGIBILITY FOR PARTICIPATION.**

(a) **IN GENERAL.**—Any individual who is a member of a household that is eligible for assistance under the State temporary assistance for needy families program established under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), or that meets each of the following requirements shall be eligible to participate in a demonstration project conducted under this title:

**【(1) INCOME TEST.**—The adjusted gross income of the household is equal to or less than 200 percent of the poverty line (as determined by the Office of Management and Budget) or the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household).**】**

(1) *INCOME TEST.*—*The adjusted gross income of the household—*

(A) *does not exceed 200 percent of the poverty line (as determined by the Office of Management and Budget) or the earned income amount described in section 32 of the Internal Revenue Code of 1986 (taking into account the size of the household); or*

(B) *does not exceed 50 percent of the area median income (as determined by the Secretary of Housing and*

*Urban Development) for the area in which the household is located.*

\* \* \* \* \*

**SEC. 410. DEPOSITS BY QUALIFIED ENTITIES.**

(a) IN GENERAL.—Not less than once every 3 months during each project year, each qualified entity under this title shall deposit in the individual development account of each individual participating in the project, or into a parallel account maintained by the qualified entity—

(1) \* \* \*

\* \* \* \* \*

(3) *any interest that has accrued interest that has accrued during that period on amounts deposited under paragraph (1) or (2) on behalf of that individual into the individual development account of the individual or into a parallel account maintained by the qualified entity[.], but only to the extent that the amount of the interest does not exceed the amount of interest that has accrued during that period on amounts deposited in the account by that individual.*

\* \* \* \* \*

(f) *USE OF EXCESS INTEREST TO FUND OTHER INDIVIDUAL DEVELOPMENT ACCOUNTS.—To the extent that a qualified entity has an amount that, but for the limitation in subsection (a)(3), would be required by that subsection to be deposited into the individual development account of an individual or into a parallel account maintained by the qualified entity, the qualified entity may deposit the amount into the individual development account of any individual or into any such parallel account maintained by the qualified entity.*

\* \* \* \* \*

**SEC. 416. AUTHORIZATION OF APPROPRIATIONS.**

There is authorized to be appropriated to carry out this title, \$25,000,000 for each of fiscal years 1999, 2000, 2001, 2002, [and 2003] 2003, 2004, 2005, 2006, 2007, and 2008, to remain available until expended.

## RUNAWAY AND HOMELESS YOUTH ACT

### TITLE III—RUNAWAY AND HOMELESS YOUTH

#### SHORT TITLE

SEC. 301. This title may be cited as the “Runaway and Homeless Youth Act”.

\* \* \* \* \*

#### PART B—TRANSITIONAL LIVING GRANT PROGRAM

\* \* \* \* \*

## ELIGIBILITY

SEC. 322. (a) To be eligible for assistance under this part, an applicant shall propose to establish, strengthen, or fund a transitional living youth project for homeless youth and shall submit to the Secretary a plan in which such applicant agrees, as part of such project—

(1) to provide, directly or indirectly, shelter (such as group homes (*including maternity group homes*), host family homes, and supervised apartments) and services (including information and counseling services in basic life skills which shall include money management, budgeting, consumer education, and use of credit, interpersonal skill building, educational advancement, job attainment skills, and mental and physical health care) to homeless youth;

\* \* \* \* \*

(c) **MATERNITY GROUP HOME.**—*In this part, the term “maternity group home” means a community-based, adult-supervised group home that provides—*

(1) *young mothers and their children with a supportive and supervised living arrangement in which such mothers are required to learn parenting skills, including child development, family budgeting, health and nutrition, and other skills to promote their long-term economic independence and the well-being of their children; and*

(2) *pregnant women with—*

(A) *information regarding the option of placing children for adoption through licensed adoption service providers;*

(B) *assistance with prenatal care and child birthing;*  
and

(C) *pre- and post-placement adoption counseling.*

**SEC. 323. CONTRACT FOR EVALUATION.**

(a) **IN GENERAL.**—*The Secretary shall enter into a contract with a public or private entity for an evaluation of the maternity group homes that are supported by grant funds under this Act.*

(b) **INFORMATION.**—*The evaluation described in subsection (a) shall include the collection of information about the relevant characteristics of individuals who benefit from maternity group homes such as those that are supported by grant funds under this Act and what services provided by those maternity group homes are most beneficial to such individuals.*

(c) **REPORT.**—*Not later than 2 years after the date on which the Secretary enters into a contract for an evaluation under subsection (a), and biennially thereafter, the entity conducting the evaluation under this section shall submit to Congress a report on the status, activities, and accomplishments of maternity group homes that are supported by grant funds under this Act.*

\* \* \* \* \*

PART F—GENERAL PROVISIONS

\* \* \* \* \*

**SEC. 388. AUTHORIZATION OF APPROPRIATIONS.**

## (a) IN GENERAL.—

(1) AUTHORIZATION.—**[There]**

(A) *IN GENERAL.*—*There* is authorized to be appropriated to carry out this title (other than part E *and the purpose described in subparagraph (B)*) such sums as may be necessary for fiscal years 2000, 2001, 2002, and 2003.

(B) *MATERNITY GROUP HOMES.*—*There is authorized to be appropriated, for maternity group homes eligible for assistance under section 322(a)(1)—*

*(i) \$33,000,000 for fiscal year 2003; and*

*(ii) such sums as may be necessary for fiscal year 2004.*

## (2) ALLOCATION.—

(A) PARTS A AND B.—From the amount appropriated under paragraph (1)(A) for a fiscal year, the Secretary shall reserve not less than 90 percent to carry out parts A and B.

\* \* \* \* \*